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DD/P 1-1139

IPD-5931-61

MEMORANDUM FOR: Chief, Audit Staff

SUBJECT : Response to Audit Report of Development Projects Division at 29 February 1960 (IPD-5733-60 dated 22 July 1960)

1. In connection with subject report it seems pertinent to recite some of the general conditions, concepts, and assumptions that existed at the time the mechanics of IPD operations originated as follows:

The unit currently operating as IPD was originally organized in the office of the Director to handle a highly sensitive operation in such a manner as to permit deniability. The changing of this unit from the Office of the Director to a Division within DD/P did not in any manner affect the sensitivity of the unit's functions. In view of this, many deviations of necessity took place from Agency and/or other Governmental processes. The goal, which I feel has been achieved, was to maintain a complete austere fast-moving entity in a manner that would reasonably satisfy and protect Governmental managerial interests yet at the same time protecting the security interests of the Agency, the United States Government, and all our Allies during and after completion of this highly sensitive undertaking. With these elements in mind, comment will be set forth hereunder with respect to each item contained in paragraph 11 of the Audit Report:

a. Regarding the recommendation in this subparagraph, it is true that in the early stages of this activity, a complete audit was made of accountings from Field Stations and the Stations in turn were informed of any discrepancies noted with advice to take corrective action. This practice was discontinued in 1958 from which time a preliminary review only has been made. Action has now been taken to discontinue review of these certified accountings. These accountings will be filed in the Division Finance Office without examination pending final audit by the Audit Staff.

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b. Concerning the recommendation in this subparagraph, we now have two stations which are not operating under the Class A system of financial reporting, i.e., [redacted] Subsequent to the referenced audit report, the Chief of Station [redacted] was designated an Approving Officer and authorization granted to process and make cash payment of travel claims and other accountings, thus conforming to the Class B accounting and reporting procedures. In approximately six months it is expected that [redacted] will expand to the point where a finance representative may be gainfully utilized, at which time the financial operation will revert to a Class A accounting system. The

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situation at [redacted] is somewhat different, in that the station is composed of all Military Personnel. This unit operates strictly under the Military system with no civilian personnel complement. The Chief of Station maintains a small imprest fund suitable for station requirements and a simplified monthly accounting is submitted. This system would appear to be the most economical and efficient for this small unit.

c. The recommendation in this subparagraph is definitely sound and action has been taken many times in an attempt to reduce the number and amounts of delinquencies. Attached are some of the more recent Division Directives pertaining to this item.

d. The recommendation in this subparagraph has been complied with but it should be noted that no travel was ever performed under these orders.

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[redacted]

2. Under subparagraph f. recommendation is made that IPD establish a Type 2 Property Accounting System. In this regard, there was no Type 2 accounting system at the time this unit was activated. The employees realized a need for showing the assets in the Agency accounting records and sought the assistance of the Comptroller's Office in devising a system that would permit recording within the bounds of security consideration. This was accomplished, as discussed by the auditors in paragraphs 9 and 10. The certain equipments within the Development Projects Division should not be recorded in the Agency accounts by types and descriptions because to do so would reveal entirely too much information as to the activity being performed. IPD



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has established a Type 2 accounting system at field installations where the functions of the units will permit disclosure of the accountings or equipments utilized. The existing system has and is continuing to work to the satisfaction of the functions of DPD and should satisfy the requirements of the Agency Comptroller.

2. It would appear from above comments that many of the practices employed were dictated by the sensitivity and security of the various projects as well as the need to retain the ingredients of flexibility and mobility. I feel that these conditions continue to exist and provide justification for the procedures followed.

RICHARD M. BISSELL, JR.
Deputy Director
(Plans)

Attachments: a/a

Dist: 2 - Add (w/att)
2 - DD/P
1 - AC/DPD
1 - Asst Ch/DPD
1 - C/Admin Br/DPD
1 - C/Mater Br/DPD
2 - Finance DPD
1 - Reading (Fin-DPD)
1 - RI/DPD
DMO:vh/DPD-Fin/Retyped 2 Mar '61

Signature Recommended:

Stanley W. Beerli
Colonel, USAF
Acting Chief, DPD-DD/P



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